

SILMONAC MINES LIMITED

(Non-Personal Liability)

808 - 602 West Hastings Street
Vancouver 2, B. C.

FIRST ANNUAL REPORT

DATED OCTOBER 31st, 1966

SILMONAC MINES LIMITED

(Non-Personal Liability)

DIRECTORS

R. W. WILSON, P.ENG.	Vancouver, B.C.
J. C. BLACK	Vancouver, B.C.
H. B. GILLELAND	Vancouver, B.C.
DR. R. H. SERAPHIM, P.ENG.	Vancouver, B.C.
AVERY STONE	Vancouver, B.C.
A. W. WHITE	Toronto, Ontario
W. C. DOUGLASS, M.E.	Seattle, Washington

OFFICERS

President	R. W. WILSON
Vice-President	AVERY STONE
Vice-President	A. W. WHITE
Secretary-Treasurer	H. B. GILLELAND
Assistant Secretary	P. C. NEWMAN

REGISTRAR AND TRANSFER AGENTS

THE CANADA TRUST COMPANY
901 West Pender Street, Vancouver, B.C.

AUDITORS

FREDERICK FIELD AND COMPANY
Vancouver, B.C.

SILMONAC MINES LIMITED

(Non-Personal Liability)

November 25, 1966

To the Shareholders
Silmonac Mines Limited (N.P.L.)

During the spring of 1966 finances were obtained to continue exploration of the main lode on the Slocan property. This lode is known to cross the Silmonac property for a distance of 10,000 feet. At either end of the lode, former producers including the Silversmith, Standard and Ruth-Hope mined ore that would have a gross value at present prices in excess of \$70,000,000.

Prior to converting to a public company, Silmonac Mines had done considerable work on the property. Access to the lode on the Silmonac claims at the 4000 foot elevation was made possible by an agreement with the adjoining Carnegie Mine, whereby Silmonac was granted the right to use their No. 5 level which had been advanced to the Silmonac boundary. The timber and track on this level were rehabilitated, development headings advanced a total of 1361 feet, and approximately 5000 feet of diamond drilling was completed. One section of the tunnel had encountered a strong lode which contained narrow, good grade lenses of silver-lead-zinc mineralization.

Following this work, W. M. Sharp, P.Eng., consulting geologist, examined the property and studied all available data. The program now in progress at the property was recommended by Mr. Sharp, and agreed upon by the management and directors. This work is designed to test three favorable areas of the lode:

- (1) The surface and sub-surface lode zone on the Minniehaha, Dorothy and Mascot claims in which former operators had found mineral showings.
- (2) The lode ahead (and to the west) of the present No. 5 level face.
- (3) The lode zone above the drift in which the lenses of mineralization were encountered in the Silmonac drive.

Work on the first area, consisting of soil sampling, bulldozer stripping and hand trenching, commenced in June of this year. Two trenches uncovered lode strands containing narrow bands of high grade lead ore. Work has now been suspended and will be resumed next year when weather conditions permit.

In the second area the drift has been advanced 564 feet and a station is now being cut from which several diamond drill holes will be drilled to test the lode.

In the third area it is planned to drive a cross-cut into the footwall of the lode, from which the lode may be explored above the level by diamond drilling.

The Balance Sheet shows that on October 31, 1966, Working Capital amounted to \$194,941.40. The mine staff is to be commended for the amount of exploration accomplished to that date.

On behalf of the Board of Directors,

"R. W. WILSON"

President

BALANCE SHEET AS

ASSETS

CURRENT:

Cash	\$ 14,362.39
Canada Trust Company — 4% deposit	7,234.11
Deposit receipts — Bank of Nova Scotia	\$175,000.00
Add: accrued interest	2,354.80
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	177,354.80
Accounts receivable — employees	83.84
Mine materials and supplies — at cost	5,713.39
Prepaid expense	228.66
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	204,977.19

CAPITAL ASSETS — at cost:

Mining properties and claims (Note 1)	307,051.38
Equipment	12,048.17
Exploration and development costs	
Balance — October 31, 1965	\$ 97,172.69
Add: current year's expenditures	
per exhibit "A"	56,738.25
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Balance — October 31, 1966	153,910.94
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	473,010.49

ORGANIZATION EXPENSE	4,547.71
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	<u>\$682,535.39</u>

NOTE 1:

The mining properties and equipment were acquired by an issue of 1,750,000 shares to Silmonac Syndicate members for cash expenditures on the property of \$175,000.00 and an issue of 275,000 shares for mineral claims.

The mineral claims are subject to a royalty of \$500,000.00 payable out of net smelter returns secured by a mortgage. After payment of this amount a further royalty of \$33,000.00 is payable out of the net smelter returns.

NOTE 2:

An option was granted to the mine manager on November 14, 1966, subject to the approval of the Superintendent of Brokers, covering 20,000 common shares exercisable in varying denominations at 75 cents per share up to November 15, 1968.

Approved on behalf of the Board,

R. W. WILSON, *Director*

H. B. GILLELAND, *Director*

SILMONAC MINES LIMITED

(Liability)

OCTOBER 31, 1966

LIABILITIES

CURRENT:

Wages payable.....	\$ 4,133.14
Accounts payable.....	5,902.65
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	10,035.79

SHAREHOLDERS' EQUITY

SHARE CAPITAL:

Authorized

5,000,000 common shares of 50 cents each..... \$2,500,000.00

Issued

2,025,000 shares for mining properties and equipment..... \$1,012,500.00

400,000 shares for cash..... 200,000.00

540,000 shares issued for cash during the year..... 270,000.00

2,965,000

1,482,500.00

(including 2,024,993 shares held in escrow subject to the order of the Superintendent of Brokers, and 290,000 shares voluntarily escrowed by the holders thereof until April 29, 1967)

Deduct: discount on shares..... 810,000.40

672,499.60

\$682,535.39

To the Members:

We have examined the above balance sheet of Silmonac Mines Limited (non-personal liability) as at October 31, 1966, and the exploration and development statement for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the above balance sheet and exploration and development statement present fairly the financial position of the company as at October 31, 1966, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.

November 25, 1966.

"FREDERICK FIELD & CO."

Chartered Accountants.

SILMONAC MINES LIMITED

(Non-Personal Liability)

EXPLORATION AND DEVELOPMENT EXPENDITURES

For the Year Ended October 31, 1966

DIRECT MINING COSTS:

Mine management and engineering	\$ 7,557.11
Geological reports	539.46
Drifting and cross cutting	11,036.94
Stripping	6,838.65
Employee benefits	755.82
Engineering fees and expenses	3,275.75
Equipment rental	3,910.22
Power and compressed air	3,100.17
Drill steel and bits	2,550.48
Equipment repairs and maintenance	1,643.58
Pipe and rail	2,868.60
Ventilation and water	363.44
Ore and waste handling	157.75
Transportation	726.47
Snow removal	249.23
Access rights	1,800.00
Provincial taxes	467.99
Insurance	189.09
Building repairs	107.49
Road maintenance	227.42
Mine maintenance	130.44
Air and water lines — surface	417.32
Rehabilitation	6,182.71
General expense	339.60

55,435.73

INDIRECT COSTS:

Head office administration	4,004.74
Audit and legal	580.00
Telephone	137.90
Printing, stationery and postage	339.87
Travel	183.80
Miscellaneous expense	344.19

5,590.50

Deduct: interest income

4,287.98

1,302.52

TOTAL EXPLORATION AND DEVELOPMENT EXPENDITURES
FOR THE YEAR ENDED October 31, 1966 — to balance sheet

\$ 56,738.25

